CONCEPT: RISK AND INSURANCE

● ***Risk*** – uncertainty regarding the amount of future gains or losses

☐ Risk occurs because the future is ___________________

Pop Quiz! Would you choose…? a) $0 right now and you can just walk away b) Receive $1,000 if you flip a coin and get heads or pay $1,000 if you get tails

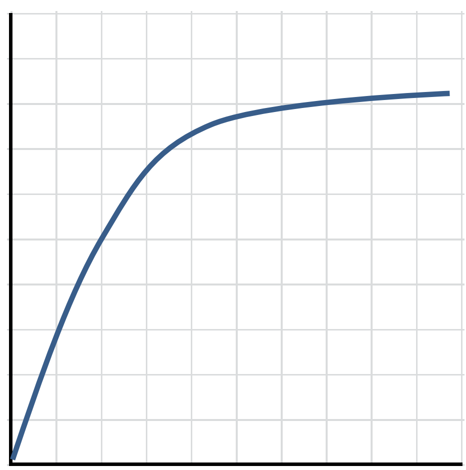
☐ ***Risk Averse*** – a general dislike for ___________________

> People generally dislike bad things happening ________ than they like good things happening

☐ ***Utility*** – a measurement of satisfaction

> ***Marginal Utility*** – the _______________ satisfaction from consuming ________________ of a good

- Follows the law of __________________ returns!



> ***Insurance*** guards users from uncertain losses

- Insurance is usually used to guard from unlikely, but catastrophic, losses (i.e. fire)